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STATE OF MONTANA

PLEASE

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA, STATE CAPITOL
HELENA, MONTANA

AUDIT OF
U.S. FISH AND WILDLIFE SERVICE GRANTS
TO MONTANA DEPARTMENT OF FISH AND GAME
HELENA, MONTANA
PERIOD
MAY 1, 1974 through JUNE 30, 1977

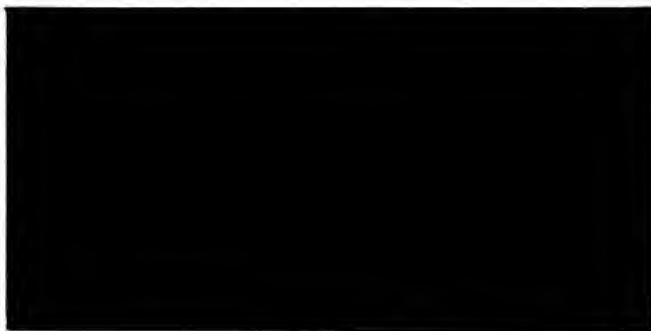


OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
STATE CAPITOL • HELENA





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STATE OF MONTANA, STATE CAPITOL
HELENA, MONTANA

AUDIT OF
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TO MONTANA DEPARTMENT OF FISH AND GAME
HELENA, MONTANA
PERIOD
MAY 1, 1974 through JUNE 30, 1977

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122



MORRIS L. BRUSETT
LEGISLATIVE AUDITOR

March 31, 1978

DEPUTY LEGISLATIVE AUDITORS:
JOSEPH J. CALNAN
ADMINISTRATION AND
PROGRAM AUDITS

ELLEN FEAVER
FINANCIAL COMPLIANCE AND
CONTRACTED AUDITS

STAFF LEGAL COUNSEL
JOHN W. NORTHEY

Director, U.S. Fish and Wildlife Service
U.S. Department of the Interior
Attention: Chief, Division of Federal Aid
Washington, D.C. 20240

Through: Regional Audit Manager, Western Region,
Office of Audit and Investigation
U.S. Department of the Interior

Dear Sir:

Enclosed is our report resulting from our audit of costs incurred from May 1, 1974 through June 30, 1977 by the Montana Department of Fish and Game under Federal aid agreements with the U.S. Fish and Wildlife Service.

Costs of \$7,444,744 were claimed for projects completed or in progress during the period.

Our report recommends cost adjustments of \$37,886 including \$69 of unsupported costs during this period.

If further information is needed concerning this report, please contact us through the Regional Audit Manager, U.S. Department of the Interior.

Sincerely,

Morris L. Bruset, C.P.A.
Legislative Auditor

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DEPUTY LEGISLATIVE AUDITORS:
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STAFF LEGAL COUNSEL
JOHN W. NORTHEY

We have examined the Statement of Project Costs of the Montana Fish and Game Department covering the period May 1, 1974 through June 30, 1977, under Federal aid project agreements with the U.S. Fish and Wildlife Service (FWS). Our examination was made in accordance with the standards for audit of governmental organizations, programs, activities, and functions issued by the Comptroller General of the United States, as they apply to financial and compliance examinations and, accordingly, included such tests of the accounting records and other data, and such other auditing procedures as we considered necessary in the circumstances. We also used the "Audit Guide for U.S. Fish and Wildlife Service Grant Programs" issued by the Office of Audit and Investigation, U.S. Department of the Interior. As part of our examination, the allowability of costs charged against the projects was considered in terms of the provisions of the grant agreements. A discussion of our recommended adjustments appears on page 7 of this report. The allowability of such costs will be determined by the U.S. Fish and Wildlife Service.

In our opinion, the accompanying Statement of Project Costs, subject to the recommended adjustments set forth therein, presents fairly the grant costs incurred by the Montana Department of Fish and Game from

May 1, 1974 through June 30, 1977, that are acceptable for Federal aid participation in accordance with generally accepted accounting principles and the financial provisions of the grant agreements.

Sincerely,

A handwritten signature in cursive script, reading "Morris L. Brusett".

Morris L. Brusett, C.P.A.
Legislative Auditor

January 31, 1978

INTRODUCTION

The Montana Department of Fish and Game administered projects under contract with the U.S. Fish and Wildlife Service during the period May 1, 1974 through June 30, 1977. The agreements were made under the Federal Aid in Wildlife Restoration Act, as amended (16 U.S.C. 699), and the Federal Aid in Sport Fish Restoration Act as amended (16 U.S.C. 777).

Our audit was completed in January 1978, and was made to express an opinion on the fairness of the grantee's statement of project costs applicable to the period under review and included an examination of costs incurred on the projects listed in Exhibit I. A financial summary of audit coverage follows:

Approved grant agreements (162 projects)			<u>\$11,767,639</u>
Audited costs			
Prior audit			\$ 3,258,437
Current audit recorded costs	\$7,871,543		
Costs recorded in excess			
of costs claimed	<u>426,799</u>		<u>7,444,744</u>
			10,703,181
Less:			
Recommended cost adjustments:			
Prior audit	\$ -0-		
Current audit	<u>37,817</u>	\$ 37,817	
Unsupported costs		<u>69</u>	<u>37,886</u>
Audited costs recommended for acceptance			<u>\$10,665,295</u>
Federal share of costs recommended for acceptance			<u>\$ 7,286,967</u>

In addition, we have reviewed the grantee's system of internal control and compliance with provisions of the grant in connection with our examination of the Statement of Project Costs. Our report thereon appears on pages 11 and 13 of this report.

MONTANA DEPARTMENT OF FISH AND GAME
U.S. FISH AND WILDLIFE SERVICE GRANT PROGRAM
STATEMENT OF PROJECT COSTS
For the Period May 1, 1974 to June 30, 1977

EXHIBIT I

Total Costs Recorded and Claimed

Grant Agreement	Project Budget	Total This Audit 1	Total Prior Audit(s) 1	Cumulative Total 2	Recommended Adjustments 3	Unsupported Costs	Recommended for Acceptance		Grantor Disbursements 6	Page Reference
							Total	Fed. Share		
<u>Fish and Wildlife</u>										
FW-1-R-4F	\$ 66,400		\$ 60,633	\$ 60,633		\$	\$ 60,633	\$ 45,474	\$ 46,074 ⁴	
FW-2-R-2F	50,000	754	40,425	41,179			41,179	20,589	20,589	
FW-2-R-3F	53,500	14,585	33,935	48,520			48,520	24,260	24,260	
FW-2-R-4F	57,300			57,300			57,300	28,650	28,650	
FW-2-R-5F	52,500			52,500			52,500	26,250	26,250	
FW-2-R-6	57,750			52,846			52,846	26,423	26,423	
FW-3-R-1F	66,397			59,346 ⁵			59,346	44,510	44,510	
FW-3-R-2F	71,045	14,518	46,100	60,618			60,618	45,463	45,463	
FW-3-R-3F	92,802	80,934		80,934			80,934	60,700	60,700	
FW-3-R-4F	59,968	7,245		7,245	\$ 143		7,102	5,326	5,434	7
FW-3-R-5	86,380	82,409		82,409			82,409	61,807	61,807	
<u>Wildlife</u>										
W-3-C-33F	49,233	992	48,241	49,233			49,233	36,925	36,925	
W-3-C-34F	39,351			39,351			39,351	29,513	29,513	
W-3-C-35F	43,166	43,166		43,166			43,166	25,900	25,900	
W-3-C-36	45,748	42,289		42,289			42,289	25,373	25,373	
W-5-D-30F	8,000		6,102	6,102			6,102	4,576	5,173 ⁴	
W-5-D-32F	12,795	3,365	9,173	12,538			12,538	9,404	9,404	
W-5-D-33F	18,172	18,172		18,172			18,172	13,629	13,629	
W-5-D-34F	20,228	20,228		20,228	795		19,433	11,860	12,137	7
W-5-D-35	19,671	19,671		19,671			19,671	11,803	11,743	
W-81-D-17	38,973		38,860	38,860			38,860	29,145	29,145	
W-81-D-19F	45,444	45,444		45,444		\$69	45,375	34,032	34,083	8
W-81-D-20F	49,375	49,375		49,375			49,375	29,625	29,625	
W-81-D-21	49,634	49,634		49,634			49,634	29,780	29,720	
W-104-R-9F	60,500		53,793	53,793			53,793	40,344	40,344	
W-104-R-10	64,000	8,823	52,921	61,744			61,744	46,308	46,308	
W-104-R-11F	99,104	99,104		99,104			99,104	74,328	74,328	

MONTANA DEPARTMENT OF FISH AND GAME
U.S. FISH AND WILDLIFE SERVICE GRANT PROGRAM
STATEMENT OF PROJECT COSTS
For the Period May 1, 1974 to June 30, 1977

EXHIBIT I

Total Costs Recorded and Claimed

Grant Agreement	Project Budget	Total			Cumulative Total	Recommended Adjustments ³	Unsupported Costs	Recommended for		Disbursements ⁶	Page Reference
		This Audit ¹	Prior Audit(s) ¹	Audit(s) ¹				Total	Fed. Share		
W-104-R-12F	\$ 99,290	\$ 99,290			\$ 99,290			\$ 99,290	\$ 59,574	\$ 59,574	
W-104-R-13	102,183	88,310			88,310			88,310	52,986	52,986	
W-105-R-8F	42,924		\$ 28,172 ⁵		28,172			28,172	21,129	21,129	
W-105-R-9F	47,305	5,676	19,988		25,664			25,664	19,248	19,248	
W-105-R-10F	32,453	32,453			32,453			32,453	24,340	24,340	
W-109-L-7F	21,000		20,638		20,638			20,638	15,479	15,479	
W-109-L-8F	20,643	590	19,098		19,688			19,688	14,766	14,766	
W-109-L-9F	17,493	17,493			17,493			17,493	13,120	13,120	
W-109-L-10F	18,000	11,942			11,942			11,942	7,165	7,165	
W-109-L-11	15,000	15,000			15,000			15,000	9,000	9,000	
W-120-R-4F	163,226		155,237 ⁵		155,237			155,237	116,428	116,428	
W-120-R-5F	177,405	42,369	117,394		159,763			159,763	119,822	119,822	
W-120-R-6F	189,584	189,584			189,584			189,584	142,188	142,188	
W-120-R-7	323,385	323,385			323,385			323,385	194,031	194,031	
W-120-R-8	357,346	347,329			347,329			347,329	208,397	208,397	
W-121-D-3F	38,321		34,053		34,053			34,053	25,539	25,539	
W-121-D-5F	42,241	11,179	31,062		42,241	\$ 443		41,798	31,349	31,681	7
W-121-D-6F	50,061	47,286			47,286			47,286	35,464	35,464	
W-121-D-7F	81,346	43,314			43,314	200		43,114	25,868	25,988	
W-121-D-8	85,114	43,985			43,985			43,985	26,391	26,391	
W-122-D-5F	60,723	6,244			58,481			58,481	43,861	43,861	
W-122-D-6F	70,645	65,169			65,169	2,055		63,114	47,336	48,877	
W-122-D-7F	85,162	71,908			71,908	300		71,608	42,965	43,145	
W-122-D-8	119,190	74,775			74,775	1,110		73,665	44,199	44,865	
W-123-D-5F	99,600	24,715			71,887			71,887	53,900	53,900	
W-123-D-6F	92,836	64,400			64,400	7,461		56,939	42,704	48,300	
W-123-D-7F	107,714	98,246			98,246	6,104		92,142	55,285	58,948	
W-123-D-8	98,705	98,142			98,142	7,211		90,931	54,538	58,885	
W-124-D-5F	159,489	31,941			153,685			153,685	115,264	115,264	
W-124-D-6	170,605	177,140			157,140	3,041		154,099	115,574	118,673	
W-124-D-7F	188,265	177,580			177,580			177,580	106,548	106,548	
W-124-D-8	211,005	168,444			168,444	3,002		165,442	99,266	101,066	

MONTANA DEPARTMENT OF FISH AND GAME
U.S. FISH AND WILDLIFE SERVICE GRANT PROGRAM
STATEMENT OF PROJECT COSTS
For the Period May 1, 1974 to June 30, 1977

EXHIBIT I

Grant Agreement	Project Budget	Total Costs Recorded and Claimed				Unsuppported Costs	Recommended Adjustments ³	Recommended for Acceptance		Grantor Disbursements ⁶	Page Reference
		Total This Audit ¹	Total Prior Audit (s) ¹	Cumulative Total ²				Total	Fed. Share		
\$	\$	\$	\$	\$	\$	\$		\$	\$	\$	
W-125-D-1F	2,970		2,002	551				551	413	413	
W-125-D-2F	3,406			2,002				2,002	1,502	1,502	
W-125-D-6	7,214	\$		1,812				1,812	1,359	1,359	
W-125-D-7F	8,650	3,815		3,815	\$	600		3,215	1,929	2,289	9
W-125-D-8	6,350	2,450		2,450				2,450	1,470	1,470	
W-125-D-5F	5,121	25	3,330	3,355				3,355	2,516	2,516	
W-126-D-3F	1,922		1,922 ⁵	1,922				1,922	1,442	1,442	
W-126-D-6F	2,458	2,458		2,458				2,458	1,844	1,844	
W-126-D-7F	29,356	7,150		7,150				7,150	4,290	4,290	
W-126-D-8	31,299	6,125		6,125				6,125	3,675	3,675	
W-127-D-5F	9,033	847	3,613	4,460				4,460	3,345	3,345	
W-127-D-6	13,495	9,370		9,370		2,260		9,370	7,028	7,028	9
W-127-D-7F	17,741	9,346		9,346				9,346	4,251	5,607	
W-127-D-8	16,480	10,664		10,664				10,664	6,398	6,398	
W-130-R-2F	420,618		415,557	415,557				415,557	310,568	310,568	
W-130-R-4F	496,956		479,815	479,815				479,815	359,861	359,861	
W-130-R-5F	585,190	121,954	463,436	585,390				585,390	439,043	439,043	
W-130-R-6F	645,173	645,173		645,173				645,173	484,030	484,030	
W-130-R-7	739,302	739,302		739,302				739,302	443,581	443,581	
W-130-R-8	809,699	750,065		750,065				750,065	450,039	450,039	
W-50-L-7	3,500	3,500		3,500				3,500	2,625	2,625	8
W-54-L-16F	500	500		500		353		147	110	375	
W-133-HS-2F	20,000	12,815		12,815				12,815	9,611	9,611	
W-133-HS-3F	20,000	20,000		20,000				20,000	15,000	15,000	
W-133-HS-4F	49,048	48,249		48,249				48,249	36,187	36,187	
W-133-HS-5F	58,133	58,097		58,097				58,097	43,572	43,572	
W-133-HS-6	69,714	50,870		50,870				50,870	18,313	18,313	
W-134-L-1	268,940	258,505		258,505				258,505	129,252	129,252	
W-99-L-9	76,000	37,530		37,530				37,530	18,765	18,765	

MONTANA DEPARTMENT OF FISH AND GAME
U. S. FISH AND WILDLIFE SERVICE GRANT PROGRAM
STATEMENT OF PROJECT COSTS
For the Period May 1, 1974 to June 30, 1977

EXHIBIT I

Total Costs Recorded and Claimed										Recommended for			Grantor		Page Reference
Grant Agreement	Project Budget	Total This Audit ¹	Total Prior Audit(s) ¹	Cumulative Total	Recommended Adjustments ³	Unsupported Costs	Acceptance		Fed. Share	Disbursements ⁶	Disbursements ⁶				
							Total	Total			Total	Total			
Fisheries															
F-1-C-23F	\$ 13,173	\$ 67	\$ 13,106	\$ 13,173			\$ 13,173	\$ 9,880	\$ 9,880	\$ 9,880	\$ 9,880				
F-1-C-24F	13,903	13,903		13,903			13,903	10,427	10,427	10,427	10,427				
F-1-C-25F	35,028	15,591		15,591			15,591	11,693	11,693	11,693	11,693				
F-1-C-26	37,053	14,067		14,067			14,067	8,159	8,159	8,159	8,159				
F-4-R-21F	32,405		9,792	9,792			9,792	7,344	7,344	7,552 ⁴	7,552 ⁴				
F-4-R-22F	32,968		17,090 ⁵	17,090			17,090	12,818	12,818	12,818	12,818				
F-4-R-23	57,886	5,488	15,488	20,976			20,976	15,732	15,732	15,732	15,732				
F-4-R-24F	27,552	24,895		24,895			24,895	18,671	18,671	18,671	18,671				
F-4-R-25F	36,363	5,440		5,440			5,440	4,080	4,080	4,080	4,080				
F-4-R-26	39,500	27,048		27,048	\$ 30		27,048	20,263	20,263	20,263	20,286				7
F-5-R-21F	45,868		45,376	45,376			45,376	34,032	34,032	34,032	34,401 ⁴				
F-5-R-22F	49,232		43,903	43,903			43,903	32,927	32,927	32,927	32,927				
F-5-R-23F	51,190		32,924	45,187			45,187	33,890	33,890	33,890	33,890				
F-5-R-24F	52,604			52,604			52,604	39,453	39,453	39,453	39,453				
F-5-R-25	54,348			54,348		185	54,163	40,761	40,761	40,761	40,761				7
F-5-R-26	60,117			58,134			58,134	43,600	43,600	43,600	43,600				
F-7-R-22F	35,927	5	34,569	34,574			34,574	25,931	25,931	25,931	25,931				
F-7-R-23F	39,709		26,295	34,922			34,922	26,192	26,192	26,192	26,192				
F-7-R-24F	40,518			40,518			40,518	30,389	30,389	30,389	30,389				
F-7-R-25F	45,751			45,751			45,751	34,313	34,313	34,313	34,313				
F-7-R-26	38,467			38,367			38,367	28,775	28,775	28,775	28,775				
F-9-R-21F	73,089		73,089 ⁵	73,089			73,089	54,817	54,817	54,817	54,817				
F-9-R-22F	87,750	16,267		87,750			87,750	65,813	65,813	65,813	65,813				
F-9-R-23F	91,475	86,037		86,037			86,037	64,528	64,528	64,528	64,528				
F-9-R-24F	79,809	79,809		79,809			79,809	59,857	59,857	59,857	59,857				
F-9-R-25	88,053	85,385		85,385			85,385	64,039	64,039	64,039	64,039				
F-11-R-20F	15,170		15,170 ⁵	15,170			15,170	11,378	11,378	11,378	11,378				
F-11-R-21F	15,981	4,259	11,638	15,897			15,897	11,923	11,923	11,923	11,923				
F-11-R-22F	16,715			16,715			16,715	12,536	12,536	12,536	12,536				
F-11-R-23F	17,812			17,812			17,812	13,359	13,359	13,359	13,359				
F-11-R-24	20,992	18,856		18,856			18,856	14,142	14,142	14,142	14,142				
F-12-R-19F	38,453		37,549 ⁵	37,549			37,549	28,162	28,162	28,162	28,162				
F-12-R-20F	49,014	9,684	39,307	48,991			48,991	36,744	36,744	36,744	36,744				

MONTANA DEPARTMENT OF FISH AND GAME
U.S. FISH AND WILDLIFE SERVICE GRANT PROGRAM
STATEMENT OF PROJECT COSTS
For the Period May 1, 1974 to June 30, 1977

EXHIBIT I

Total Costs Recorded and Claimed

Grant Agreement	Project Budget	Total This Audit ¹	Total Prior Audit(s) ¹	Cumulative Total ²	Recommended Adjustments ³	Unsupported Costs	Costs		Grantor Disbursements ⁶	Page Reference
							Total	Recommended for Acceptance		
								Fed. Share		
F-12-R-21F	\$ 50,883	\$ 47,165	\$ 47,165				\$ 47,165	\$ 35,373	\$ 35,373	
F-12-R-22F	55,540	39,672	39,672				39,672	29,754	29,754	
F-12-R-23	58,988	53,800	53,800				53,800	40,350	40,350	
F-20-R-17F	45,982	138	45,982				45,982	34,487	34,487	
F-20-R-18F	51,092	8,202	42,890				51,092	38,319	38,319	
F-20-R-19F	54,260	54,260	54,260				54,260	40,695	40,695	
F-20-R-20F	61,643	61,643	61,643				61,643	46,232	46,232	
F-20-R-21	64,898	61,216	61,216				61,216	45,912	45,912	
F-24-D-40F	2,700	817	817				817	613	613	
F-30-R-9F	16,932	55	13,575	13,630			13,630	10,222	10,222	
F-30-R-10F	17,393	6,662	10,931	17,593			17,593	13,195	13,195	
F-30-R-11F	17,757	17,757	17,757	17,757			17,757	13,318	13,318	
F-30-R-12F	23,231	23,231	23,231	23,231			23,231	17,423	17,423	
F-30-R-13	27,619	27,295	27,295	27,295			27,295	19,480	19,480	
F-31-R-8F	26,698	20,946	20,946	20,946			20,946	15,709	16,468 ⁴	
F-31-R-9F	28,243	1,778	17,907	19,685			19,685	14,764	14,764	
F-31-R-10F	30,210	6,141	27,175	27,175			27,175	20,381	20,381	
F-31-R-11F	60,000	55,198	55,198	55,198			55,198	27,599	27,599	
F-31-R-12F	61,938	56,128	56,128	56,128			56,128	28,128	28,128	
F-31-R-13	68,132	55,287	55,287	55,287			55,287	27,644	27,644	
F-32-R-6F	8,400	5,358	5,358	5,358			5,358	4,018	4,018	
F-32-R-7F	8,444	5,784	5,784	5,784			5,784	4,338	4,338	
F-32-R-9F	8,100	7,909 ⁵	7,909	7,909			7,909	5,932	5,932	
F-32-R-10F	7,600	60	5,250	5,250	\$ 60		5,190	3,893	3,938	7
F-32-R-11	6,900	3,473	3,473	3,473			3,473	2,607	2,607	
F-33-R-6	34,400	32,683	32,683	32,683			32,683	24,514	25,120 ⁴	
F-33-R-7F	37,000	30,357	30,357	30,357			30,357	22,796	22,796	
F-33-R-8F	38,422	8,987	25,729	34,716	2,464		32,252	24,188	26,037	7,8
F-33-R-9F	34,483	34,483	34,483	34,483			34,483	25,862	25,862	
F-33-R-10F	40,356	37,257	37,257	37,257			37,257	27,942	27,942	
F-33-R-11	44,052	37,756	37,756	37,756			37,756	28,317	28,317	
F-34-R-7F	13,000	13,000	13,000	13,000			13,000	9,750	9,750	
F-34-R-8F	10,299	3,405	8,049	8,049			8,049	6,037	6,037	
F-34-R-9F	9,323	8,100	8,100	8,100			8,100	6,075	6,075	
F-34-R-10F	10,425	10,425	10,425	10,425			10,425	7,819	7,819	
F-34-R-11	12,307	12,307	12,307	12,307			12,307	9,231	9,231	
	<u>\$11,767,639</u>	<u>\$7,444,744</u>	<u>\$3,258,437</u>	<u>\$10,703,181</u>	<u>\$37,817</u>	<u>\$69</u>	<u>\$10,665,295</u>	<u>\$7,286,967</u>	<u>\$7,315,352</u>	

¹Includes cash disbursements and accrued expenditures.

²See Exhibit II for schedule of costs expended in excess of claimed.

³Adjustments apply only to costs claimed.

⁴Grantor disbursements are greater than the Federal share recommended for acceptance due to questioned costs in the prior audit.

⁵Amounts previously approved by audit have been reduced to the amounts being claimed as costs by the department.

⁶Grantor disbursements represent payments to the Department of Fish and Game by the U.S. Fish and Wildlife Service.

F-after the grant agreement notes that the project is Final/Completed.

RECOMMENDED ADJUSTMENTS

Costs recommended for adjustment as a result of our audit are summarized below:

Projects overbilled due to reduction of expenditures	\$ 203
Resolution of prior questioned costs not carried forward	2,176
Costs submitted for reimbursement in excess of recorded	1,741
Program income not credited against project costs	33,344
Costs charged to the wrong project	353
Unsupported costs	69
	<u>\$37,886</u>

Projects Overbilled Due to Reduction of Expenditures - \$203

Projects FW-3-R-4 and F-32-R-10 were billed for total costs recorded on the Statewide Budgeting and Accounting System (SBAS). Later, expenditures were reduced by \$143 on project FW-3-R-4 and \$60 on project F-32-R-10. The expenditure reductions were corrections of errors. These reductions were not deducted from future requests for reimbursement on the same or other projects; therefore, total costs on the request for reimbursement were overstated by a total of \$203.

RECOMMENDATION

We recommend that the department make a cost adjustment of \$203 on future requests for reimbursement to the U.S. Fish and Wildlife Service.

Resolution of Prior Questioned Costs not Carried Forward - \$2,176

Prior questioned costs were resolved initially by crediting the costs against allowable costs submitted for reimbursement on the following projects:

<u>Project</u>	<u>Prior Questioned Costs Credited</u>
W-5-D-34	\$ 795
W-121-D-5	443
F-4-R-26	30
F-5-R-25	185
F-33-R-8	723
Total	<u>\$2,176</u>

These credits were not carried forward to reduce the total allowable costs submitted for reimbursement.

On the above projects, the department either billed for the total project agreement or total allowable costs. Therefore, the credits against allowable costs had no final effect.

RECOMMENDATION

We recommend that the department credit \$2,176 to future allowable costs submitted for reimbursement from the U.S. Fish and Wildlife Service projects and develop a procedure to carry forward these credits to allowable costs.

Costs Submitted for Reimbursement in Excess of Recorded Costs -

\$1,741, \$353; Unsupported Costs - \$69

The department requested for reimbursement total costs of \$34,716 on project F-33-R-8. Total recorded costs including prior year disbursement adjustments after fiscal year end were \$32,975. Therefore, \$1,741 was not supported by the department's records. The department's accountant stated these costs were billed in error; therefore, we recommend a cost adjustment of \$1,741 for Project F-33-R-8.

The department also failed to adjust project billings for \$353 costs claimed in excess of costs recorded for Project W-54-L-16. The department claimed \$500 in project costs but after error corrections the costs recorded were only \$147. Consequently, the department claimed \$353 more costs for Project W-54-L-16 than were recorded for that project.

In addition, the department could not support costs of \$69 claimed on project W-81-D-19.

RECOMMENDATION

We recommend that the department:

1. Credit cost adjustments of \$1,741 against future Fisheries Restoration project costs.
2. Credit cost adjustments of \$353 and \$69 to future Wildlife Restoration project costs.

Program Income Not Credited Against Project Costs - \$33,344

The following projects earned program income not added, by amendment, to the project agreement or deducted from total project costs for determining the federal share of reimbursements:

<u>Project</u>	<u>Program Income</u>			
	<u>Grazing Leases</u>	<u>Sale of Hay</u>	<u>Sale of Barley</u>	<u>Total</u>
W-121-D-7	\$ 200			\$ 200
W-122-D-6	300	\$1,755		2,055
W-122-D-7	300			300
W-122-D-8	300	810		1,110
W-123-D-6	7,461			7,461
W-123-D-7	6,104			6,104
W-123-D-8	7,211			7,211
W-124-D-6			\$3,041	3,041
W-124-D-8	3,002			3,002
W-125-D-7		600		600
W-127-D-7	1,720	540		2,260
Total	<u>\$26,598</u>	<u>\$3,705</u>	<u>\$3,041</u>	<u>\$33,344</u>

Federal Management Circular (FMC) 74-7, Attachment E, Paragraph 6, provides that program income earned during the grant period shall be retained by the grantee and added to funds committed to the project or deducted from the total project costs for the purpose of determining the net costs on which the federal share of costs will be based.

The Federal Aid Manual published by the U.S. Fish and Wildlife Service (5.9, 1 and 2) states that program income shall be: 1) Added, by amendment to the Project Agreement, to funds committed to the project

by the grantor and grantee and used to further eligible program objectives, or 2) Deducted from the total project costs for the purpose of determining the net costs on which the Federal share of costs will be based.

FMC 74-7, Attachment H, Paragraph 2.h., defines program income as earnings by the grantee realized from the grant-support activities such as sale of commodities, and usage or rental fees. Because the above income falls under the definition of program income and was not properly credited against project costs, we submit \$33,344 as recommended adjustments consisting of grazing leases and the sale of hay and barley realized from grant supported projects.

RECOMMENDATION

We recommend that the department credit cost adjustments of \$33,344 for program income consisting of grazing leases (\$26,598), sale of hay (\$3,705), and the sale of barley (\$3,041) against future federal aid project costs.

DISPOSITION OF PRIOR QUESTIONED COSTS

In the prior audit report issued by the Office of Audit and Investigation, U.S. Department of the Interior dated July 22, 1974, \$5,978 of costs were questioned as follows:

<u>Project</u>	<u>Amount</u>
FW-1-R-4	\$ 864
W-5-D-30	795
W-121-D-3	496
F-4-R-21	277
F-5-R-21	1,724
F-31-R-8	1,012
F-33-R-6	810
Total	<u>\$5,978</u>

Department officials agreed to credit these questioned costs against allowable costs in the current segments of these projects.

The questioned costs were resolved as follows:

Project Containing Questioned Cost	Amount of Initial Adjustment	Project Adjusted	Amount of Additional Adjustment	Project Adjusted	Total Adjustment
FW-1-R-4	\$ 771.18	FW-3-R-2	\$ 92.82	FW-2-R-5	\$ 864
W-5-D-30			*795.00	W-5-D-34	795
W-121-D-3	*443.01	W-121-D-5	52.99	W-121-D-7	496
F-4-R-21	247.00	F-4-R-23	*30.00	F-4-R-26	277
F-5-R-21	1,539.42	F-5-R-23	*184.58	F-5-R-25	1,724
F-31-R-8	904.20	F-31-R-10	107.80	F-31-R-12	1,012
F-33-R-6	*723.38	F-33-R-8	86.62	F-33-R-10	810
Total	<u>\$4,628.19</u>		<u>\$1,349.81</u>		<u>\$5,978</u>

The department credited the amounts of prior questioned costs on billings for subsequent projects. Adjustments noted above (*) were not properly credited to subsequent projects and remain questioned costs as explained on page 7.

MANAGEMENT LETTER

GRANTEE'S SYSTEM OF INTERNAL CONTROLS

We have examined the Statement of Project costs of the Montana Department of Fish and Game covering the period May 1, 1974 to June 30, 1977, and have issued our report thereon dated January 31, 1978. As part of our examination, we reviewed and tested the department's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial

records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the department's system of internal accounting control for the period May 1, 1974 to June 30, 1977, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed conditions that we believe to be material weaknesses for the U.S. Fish and Wildlife Service Grant program, which are described on pages 17-19.

In addition, based on information obtained during our examination of the Statement of Project Costs, our comments regarding the grantee's compliance with regulations and provisions of the grant agreement which do not directly bear upon the Statement of Project Costs begin on page 13. It should be understood that our examination was directed primarily to the expression of our opinion on the accompanying Statement of Project Costs and cannot be relied upon to disclose all instances of noncompliance.

The Accounting System

The department accounts for all U.S. Fish and Wildlife Service (FWS) projects on the Statewide Budgeting and Accounting System (SBAS). We reviewed the accounting system and internal controls in this audit and our audit of the Montana Department of Fish and Game and found the accounting system and internal controls to be adequate to account for FWS project costs.

COMPLIANCE ISSUES

Property Management System

The department is not in compliance with the requirements of the Federal Aid in Fish and Wildlife Restoration Manual, Section 7.4, concerning property records and a physical inventory.

The department did not maintain inventory records for non-expendable personal property during the fiscal years 1975-76 and 1976-77; therefore, the department was not in compliance with the property accounting requirements set forth in the Federal Aid in Fish and Wildlife Restoration Manual.

The property records maintained by the department prior to fiscal year 1975-76 did not describe the condition of the property. Addition-

ally, the department did not record property that was 100% federally owned.

The department took a physical inventory in April 1977, but the department did not use proper inventory procedures, since a person independent of the safekeeping did not perform the inventory. The Property by Location Reports were sent to the supervisor in each location, and each supervisor was to conduct his own physical inventory.

The department has advised us that it is currently updating the property records based upon the April 1977 inventory.

The Fish and Wildlife Restoration Manual, Section 7.4, provides that:

"a. Property records shall be maintained accurately and provide for: a description of the property; manufacturer's serial number or other identification number, acquisition date and cost; source of the property; percentage of Federal funds used in the purchase of property; location, use, and condition of the property; and ultimate disposition data including sales price or the method used to determine current fair market value if the grantee reimburses the grantor agency for its share."

"b. A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property."

Our audit has not disclosed any loss to the U.S. Fish and Wildlife Service as a result of this exception. This exception constitutes a procedural problem since proper information is not documented and a proper inventory is not performed."

RECOMMENDATION

We recommend that the department:

1. *Establish and maintain complete property records in compliance with the Federal Aid in Fish and Wildlife Restoration Manual, Section 7.4.*

2. *Establish policies and procedures to ensure that inventories are performed by persons independent of the custody of the assets.*

License Holder Certification

Each year the department certifies to the Department of the Interior the number of licensed hunters and fishermen in the state. This certification serves as a basis for the department's allocation of Dingell-Johnson and Pittman-Robinson funds.

The certification for 1977 is overstated for both fishing and hunting. The number of licensed fishermen is overstated by 15,046 or 5%. This overstatement is related to people over 62 who are allowed to fish and hunt birds with only a conservation license. People over 62 years of age are not required to purchase the bird and fish stamps which are required of younger persons.

The Federal Aid in Fish and Wildlife Restoration Manual, 3.1 Section 80.7(c)(2), states "free licenses or those for which only a token charge is made may not be counted. Do not count licenses sold for a fee which does not produce significant revenue to the state." We believe that the privilege of fishing with only a conservation license qualifies as a token license and thus should not be included in the certification.

The department included 20,648 pioneer and conservation licenses in its certification of the number of hunters. In a prior audit report dated July 22, 1974, issued by the Office of Audit and Investigation, Department of the Interior, the auditors were of the opinion that these licenses should be classified as free or token and should not be included in the certification. We also believe that counting these licenses is improper.

The department's licensing system shows only the number of licenses by type, and the department estimates the number of license holders for the certification. Each type of license cannot be totaled to determine the number of hunters, because many people purchase more than one type of license. We reviewed the estimates and they appear to be reasonable; however, since significant revenues result from these estimates, these revenues should not be jeopardized because of the licensing system. Reporting systems should be developed to disclose the exact number of hunters and fishermen licensed in the state.

RECOMMENDATION

We recommend that the department:

- 1. Exclude free or token licenses in the certification of the number of hunters and fishermen.*
- 2. Develop a system to report the exact number of licensed hunters and fishermen in the state.*

OTHER ISSUES

Depreciation on vehicles

The depreciation rate used for the department's vehicles is excessive, causing the book value on each vehicle to be understated. This results from the department significantly underestimating the trade-in value of their vehicles and projects being charged an incorrect amount for vehicle usage.

The following example illustrates this point:

Vehicle 2131	
Original cost	\$3,732.25
Total depreciation	<u>2,799.19</u>
Book value at trade-in	933.06
Trade-in given on new vehicle	<u>2,100.00</u>
Profit on trade-in	<u><u>\$1,166.94</u></u>

Because U.S. Fish and Wildlife Service grant contracts provide for the reimbursement of project costs incurred by the department, those costs should be based upon the acquisition cost and not result in a profit to the department.

RECOMMENDATION

We recommend that the department adjust their present depreciation rates to more realistically consider trade-in values.

Replacement differential charge

The department's vehicle user charge rate includes a replacement differential charge. U.S. Fish and Wildlife Service grant projects are charged a vehicle cost based on this rate for each mile the vehicle is used. This results in projects being charged for expenditures which are non-allowable under Federal regulations. On the above example for vehicle 2131, the total replacement differential charge was \$3,109.69 during the vehicle life. Therefore, the total profit on the vehicle was $\$1,166.94 + \$3,109.69 = \$4,276.63$.

The Federal Aid Manual, Section 7.7 (Equipment Use Rates), allows depreciation based upon acquisition cost, or a use allowance based upon acquisition cost. The Manual does not provide for the use of replacement cost as a basis for equipment use rates.

RECOMMENDATION

We recommend that the department determine vehicle use rates based upon actual acquisition and operating costs.

Extensive subdivision of cash handling

The department receives large volumes of mail containing checks and cash. Currently, the mail clerk sorts and distributes all mail to the

department section to which the mail is addressed. Each section opens and processes its own mail. For example, reimbursement checks and checks received on the letter of credit go directly to the Accounting Division and the person doing the U.S. Fish and Wildlife Service billing. Because of this, there is an extensive subdivision of cash handling throughout the department.

Internal control over cash is stronger when fewer employees handle cash. The department should centralize the mail opening function. When the mail is opened, monetary items should be removed, listed and taken to the cashier. A notice of remittance could then be inserted in place of the cash and routed in the normal manner. The listing should then be compared to treasury deposits. This would significantly improve control of cash receipts.

RECOMMENDATION

We recommend that the department:

- 1. Centralize its mail opening function, and*
- 2. Forward all checks and cash directly to the cashier.*

Payroll time records

Department employees prepare monthly time distribution reports to record hours worked by project. The reports are often prepared and signed by the employee in pencil. The central office payroll section uses these reports for accounting distribution of payroll expense to various projects.

Our audit of the department disclosed changes made to the reports after they reached the central office. Proper time records are the responsibility of department supervisors. Time records should not be approved until they are correctly and accurately completed.

RECOMMENDATION

We recommend that the department:

- 1. Require time records to be completed in ink, and*
- 2. Prohibit changes being made to time records.*

Limited segregation of duties

The payroll supervisor has the authority to add employees to the payroll and distribute paychecks to employees. These are incompatible functions; therefore, payroll warrants should be distributed by someone other than the payroll supervisor.

RECOMMENDATION

We recommend that someone other than the payroll supervisor distribute payroll warrants.

CETA reimbursements

The department employed a number of individuals under the Concentrated Employment Training Act (CETA) program. These people are paid as part of the regular payroll. Periodically the department bills the Division of Employment Security, Montana Department of Labor and Industry, the CETA grantor, for payment of CETA employees' wages. When the reimbursement is received, the transaction is recorded as an expenditure abatement rather than as income. Due to this procedure, the department's expenditures and income are understated.

RECOMMENDATION

We recommend that the department record CETA reimbursements as income rather than as expenditure abatements.

PROJECT SITE VISIT

As part of our audit we visited Project W-124-D, the Freeze Out Lake Water Fowl Area.

We have concluded based on our observations, that the project is in compliance with the terms of the project agreement.

This area is also used by the department to store federally owned non-expendable personal property transferred to the state for use on Fish and Wildlife Service projects. Due to the physical arrangement of this property, we determined that it was not feasible to take a meaningful inventory. Other comments concerning the property management system are on page 13.

FINAL COMMENTS

We have reviewed the comments and recommendations contained in this report with members of the Department of Fish and Game staff. The full text of the department's response to this report begins on page 22.

We wish to express our appreciation to the Director and his staff for cooperation and assistance during this audit.

AGENCY REPLY

STATE OF MONTANA



DEPARTMENT OF

FISH AND GAME

March 23, 1978

RECEIVED

MAR 23 1978

MONTANA LEGISLATIVE AUDITOR

Mr. Morris L. Brusett
Legislative Auditor
State Capitol
Helena, Montana 59601

Dear Mr. Brusett:

The Department of Fish and Game has reviewed the audit report prepared by your office for the U.S. Fish and Wildlife Service Grants administered by this Department for the period May 1, 1974 through June 30, 1977.

Our response to specific recommendations is attached.

We thank you for this opportunity to respond to the recommendations and appreciate your staff's thorough financial review of this program.

Sincerely,

Orville W. Lewis
Associate Director

OWL:LEP/bs

Enclosure

1. A. Recommendation:

We recommend that the Department make a cost adjustment of \$203 on future requests for reimbursement to the U.S. Fish and Wildlife Service.

B. Agree.

C. Corrective Action:

The Department will reduce an appropriate future request for reimbursement to the FWS by \$203.

2. A. Recommendation:

We recommend that the Department credit \$2,176 to future allowable costs submitted for reimbursement from the U.S. Fish and Wildlife Service projects and develop a procedure to carry forward these credits to allowable costs.

B. Agree.

C. Corrective Action:

The Department will credit \$2,176 to future allowable costs submitted for reimbursement to the FWS and develop a written procedure to properly carry forward such credits.

3. A. Recommendation:

We recommend that the Department:

1. Credit cost adjustments of \$1,741 against future Fisheries Restoration project costs.
2. Credit cost adjustments of \$353 and \$69 to future Wildlife Restoration project costs.

B. Agree.

C. Corrective Action:

The Department will credit these items to future Fisheries Restoration and

Wildlife Restoration project costs.

4. A. Recommendation:

We recommend that the Department credit cost adjustments of \$33,344 for program income consisting of grazing leases (\$26,598), sale of hay (\$3,705), and the sale of barley (\$3,041) against future federal aid project costs.

B. Agree.

C. Corrective Action:

The Department will credit \$33,344 against future federal aid project costs or attain proper amendment permission to retain these monies in Montana projects or a combination of both.

5. A. Recommendation:

We recommend that the Department:

1. Establish and maintain complete property records in compliance with the Federal Aid in Fish and Wildlife Restoration Manual, Section 7.4.
2. Establish policies and procedures to ensure that inventories are performed by persons independent of the custody of assets.

B. Agree.

C. Corrective Action:

This item is in the process of being corrected. Procedures were written in fiscal year 1978 to ensure adequate property records are kept by the Department including description, identification numbers, cost, percentage of federal funds used for purchase, location, and condition. A physical check against property records by an independent Helena headquarter's property officer is in progress. This physical inventory should be completed for the numerous Department locations involved by April 30, 1978, and completed property listings prepared for all locations by June 30, 1978.

6. A. Recommendation:

We recommend that the Department:

1. Exclude free or token licenses in the certification of the number of hunters and fishermen.
2. Develop a system to report the exact number of licensed hunters and fishermen in the state.

B. The Department disagrees with recommendation #1 and agrees with recommendation #2.

C. Corrective Action:

1. The Department will seek an opinion from the Fish and Wildlife Service to determine whether the people over 62 who are allowed to fish and hunt birds with a qualifying conservation license should or should not be considered legal license holders.
2. The Department is presently developing a credit card conservation licensing system which will report the exact number of individual hunters and fishermen in the state. This system is scheduled for implementation on January 1, 1979.

7. A. Recommendation:

We recommend that the Department adjust their present depreciation rates to more realistically consider trade-in values.

B. Agree.

C. Corrective Action:

The Department will establish, through costly computer programming, a system of charging a reduced depreciation rate after a vehicle has reached its maximum expected number of miles. The vehicle in the example was driven many miles beyond its expected 65,000 mile life expectancy thus depreciation continued on a straight line basis beyond what it was expected to be traded in for.

8. A. Recommendation:

We recommend that the Department determine vehicle use rates based upon actual acquisition and operating costs.

B. Agree.

C. Corrective Action:

The Department will eliminate the present unauthorized replacement factor from its future vehicle mileage rates.

9. A. Recommendation:

We recommend that the Department:

1. Centralize its mail opening function, and
2. Forward all checks and cash directly to the cashier.

B. Partially agree.

C. Corrective Action:

The Department will advise agencies currently sending checks to the Department to address such cash items to the attention of the cashier. Due to possible problems with Federal Postal Service law, items addressed to specific individuals will not be opened centrally. The Department's staff attorney will be advised to require any future lease payments or other contractual payments be mailed directly to the cashier's office. Due to heavy volume, special licensing applications will be forwarded by the mailroom to the special license section unopened; special licensing staff will forward checks and cash items to the cashier as soon as envelopes are opened.

10. A. Recommendation:

We recommend that the Department:

1. Require time records to be completed in ink, and
2. Prohibit changes being made to time records.

B. Agree.

C. Corrective Action:

Fish and Game field personnel have been advised to fill out timerolls and leave of absence forms in ink. Payroll personnel have been advised they are not authorized to make any changes to time records. These actions were completed in March 1978.

11. A. Recommendation:

We recommend that someone other than the payroll supervisor distribute payroll warrants.

B. Agree.

C. Corrective Action:

The payroll supervisor no longer hands out pay checks at the Helena headquarters location. This change was implemented in March 1978.

12. A. Recommendation:

We recommend that the Department record CETA reimbursement as income rather than as expenditure abatements.

B. Agree.

C. Corrective Action:

The Department discontinued this practice in November, 1977.

